

Press Release

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VCI CALLS FOR INNOVATION PACKAGE FOR GERMANY

Corona does not halt research in the chemical-pharmaceutical industry

- ◆ Record R&D budget of 14 billion euros expected for 2021
- ◆ Strong orientation to innovation helps cope with the crisis
- ◆ Problematic political environment for new products
- ◆ This is needed: expanding the research allowance, more venture capital for start-ups, and more public investment in education
- ◆ Chart: www.vci.de/infografiken

Innovations are successfully taking the chemical-pharmaceutical industry through the corona crisis. This conclusion was drawn by Thomas Wessel, chair of the Research, Science and Education Committee of the German chemical industry association Verband der Chemischen Industrie (VCI), at a press conference in Frankfurt. In fact, the corona pandemic has left its mark on research and development (R&D) in the industry which, however, continues to rely on innovative products and processes to safeguard its competitiveness: In 2020, the R&D budgets increased by ca. 2.5 percent to 13.7 billion euros.

"The strong innovation orientation of the chemical-pharmaceutical industry helped us cope with the crisis – even though our researchers needed to work in much more difficult conditions," said Wessel. For example, R&D personnel had less use of laboratories, because distancing rules applied there too. As staff were working from home, there was often a lack of direct exchange with customers, which is especially important for generating new ideas. International research projects were adversely affected by travel restrictions.

Trying to reduce the negative impacts of the corona pandemic on research budgets, just under 50 percent of the chemical and pharmaceutical companies extended the duration of R&D projects, so the VCI. 27 percent of the companies started their research projects later, while projects were cancelled only in some individual cases (16 percent). Innovation activities were abandoned altogether even more rarely: Just 3 percent of the companies took that drastic step.

For Wessel, it is particularly encouraging that the companies were able to keep the numbers of research staff constant. Most recently, around 45,000 persons were working in R&D departments, accounting for nearly 10 percent of all employees in the chemical-pharmaceutical industry.

Less friendly environment for innovation

Research departments in chemical and pharmaceutical companies are optimistic about the current year – but the innovation environment should improve for long-term developments. A member survey of the VCI shows that 53 percent of the companies are planning to keep their R&D activities at a stable level. More than a third want to expand their research work. Against this backdrop, the VCI expects for 2021 a record expenditure of 14 billion euros for research projects.

However, the outlook is clouded by the political framework conditions. Wessel warned: “Particularly in view of the EU's Green Deal, many companies in our industry are taking a bleak stance when it comes to innovation.” The VCI member survey reveals that almost half (47 percent) of the companies rate the planned regulations under the Green Deal as major inhibitors where innovation is concerned – and as many as one third still see the plans as a weak obstacle. According to the survey, there are also shortcomings in government incentives for higher R&D spending. Almost 33 percent of the surveyed companies consider the funding programmes to be insufficiently endowed or overly bureaucratic.

Germany needs an innovation package

Given the ever-increasing global competition among research locations, Wessel called for an innovation package for Germany: “It is not enough to merely look favourably on corporate research. What is also needed is permanently high public investment in research and development, planning security for companies, and a general openness to technology.”

As concrete measures by the incoming federal government, Wessel expects, for example, to expand the research allowance (Forschungszulage) to an international level, in order to generate higher R&D spending by industry and business. Furthermore, the framework conditions for venture capital need to improve to enable investment in Germany. In the education sector, efforts should intensify to prevent an even more severe shortage of qualified staff. In the latter point, Wessel referred to a recent survey by the VCI among the

association's membership: 27 percent of chemical and pharmaceutical companies perceive a lack of human resources as a strong or very strong obstacle. To remedy the situation, the public administration should invest more money in education, offer more and better science teaching in schools and improve the quality of university education in science and engineering.

The VCI represents the politico-economic interests of over 1,700 German chemical and pharmaceutical companies and German subsidiaries of foreign businesses in contacts with politicians, public authorities, other industries, science and media. In 2020, the industry realised sales of just under 190 billion euros and employed ca. 464,400 staff.

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